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BY E-FILE AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-48

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find the responses of Bay State to the Second Set of Information Requests issued by the Department in this docket. Please note that the list of requests submitted by the Department had two requests numbered as DTE 2-4; therefore, Bay State renumbered these requests as DTE 2-4(a) and DTE 2-4(b).

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: John J. Geary, Hearing Officer
Andreas Thanos, Assistant Director, Gas Division, DTE
Rebecca Hanson, Analyst, Gas Division, DTE
Elizabeth Jackson, Analyst, Gas Division, DTE
Joseph Rogers, Assistant Attorney General (4 copies)
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 05-48

Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

DTE 2-1: Please explain how Bay State and its customers benefit separately from the proposed contracts with TransCanada Pipelines Ltd. ("TransCanada") and Union Gas Limited ("Union")

RESPONSE: The Union capacity provides access to storage and multiple pipelines transporting Canadian and Domestic gas to Dawn. Union does not, however, have the ability to transport these supplies from Dawn all the way to Waddington. TransCanada provides the necessary capacity bridge connecting the Union capacity and the existing Iroquois capacity. TransCanada could provide services from Dawn to Waddington if it had sufficient capacity in its "Transportation by Others" (TBO) with Union Gas. However, TCPL would need to bid in the Union Gas Open Season for new capacity just like the ANE Renewal Group Customers. The ANE Renewal Group Customers believed that the most efficient path was to bid in the Union Gas Open Season from Dawn to Parkway and then bid in the TCPL Open Season from Parkway to Waddington. In this way, the ANE Renewal Group Customers would be the shipper of record with both the Union and the TCPL pipelines and negotiate directly with Union rather than have TCPL negotiating on their behalf.

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RESPONSE OF BAY STATE GAS COMPANY TO THE
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Date: September 23, 2005

Witness Responsible: Francisco C. DaFonte

DTE 2-2: Please provide all workpapers and documentation used to determine any positive or negative financial effects on consumers under the TransCanada and Union contracts.

RESPONSE: As described in my direct testimony at p. 26, lines 4-10, the Company used its SENDOUT ® model to perform a detailed cost simulation analysis. The analysis, shown on Confidential Exhibit FCD-11, clearly demonstrates that the Union and TransCanada capacity option produces a reduction in total portfolio costs of nearly $10,000,000 over the eleven year planning horizon.

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DTE 2-3: Please explain in detail how this proposal is consistent with the Company's most recently approved forecast and supply plan. Refer to the relevant pages of Bay State's filing and/or relevant pages of the Department's decision.

RESPONSE: The Company's Iroquois capacity contract does not expire until November 1, 2012. As such, this capacity path was not considered as having a resource decision option during the five year forecast period specified in the Company's most recent Forecast and Supply Plan filing, D.T.E. 02-75. As described in the response to DTE 1- 5, Bay State's long-term supply contract at Waddington expired on November 1, 2002. Since that time the Company has been buying spot gas supplies at Waddington primarily during the winter period. Such purchases were consistent with, and reflected in, the Company's current forecast and supply plan. The Union and TransCanada contracts serve as a replacement to these spot purchases and provide a significant savings to customers over the eleven-year period.

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Witness Responsible: Francisco C. DaFonte

DTE 2-4(a): Explain in detail with supporting documentation, data, and assumptions how the Company's proposal differs from a contract for incremental supply. Will the contracts with TransCanada and Union result in an increase of Bay State's maximum daily quantity of gas?

RESPONSE: As described in the response to DTE 2-3, the Union and TransCanada capacity is replacing spot purchases at Waddington. While the capacity is incremental to the portfolio, it does not provide any incremental design day MDQ since it is connecting to an already established path from Iroquois to Tennessee/Algonquin to Bay State's citygate. A true incremental resource would add design day MDQ required to satisfy an incremental design day need.

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DTE 2-4(b): Explain why Bay State did not conduct a competitive solicitation process.

RESPONSE: Since the Union and TransCanada contracts are for new pipeline capacity at specific points necessary to connect to the existing Iroquois path; the only other pipeline alternative was TransCanada long haul capacity. Confidential Exhibit FCD-10 demonstrates that the SENDOUT ® optimization model prefers the Union/TransCanada path to the TransCanada long haul alternative by selecting the full MDQ available. The Company has also demonstrated that the Union/TransCanada alternative is also superior to the current spot purchases at Waddington.

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DTE 2-5: For each of the TransCanada and Union contracts: (a) identify the range of alternative options considered; and (b) explain how the alternative options compare to the contracts.

RESPONSE: Please see the responses to DTE 2-2, DTE 2-3, DTE 2-4(a) and DTE 2-4(b).

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DTE 2-6: Please refer to Mr. DaFonte’s testimony at 13. In the event that Bay State “trigger[s] an Event of Cancellation, by e.g., failing to obtain its required authorizations, its estimated maximum exposure would be $8,912,2304.” Would Bay State seek to recover this amount from ratepayers?

RESPONSE: Yes. Should Bay State not receive its requested DTE authorization by November 1, it will terminate both the Union and TransCanada contracts. Since TransCanada will not have even received its NEB Approvals by that time, the financial exposure to Bay State’s ratepayers would be significantly smaller due to the fact that TransCanada will not have commenced any construction and the total costs (primarily legal, environmental and engineering) would be spread out over the entire ANE group. When comparing the low financial liability to the potential for nearly $10,000,000 in total portfolio cost savings over an eleven-year period, the Company believes that its ratepayers are better off with the Union and TransCanada contracts.

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Witness Responsible: Francisco C. DaFonte

DTE 2-7: Please refer to Mr. DaFonte's testimony at 8. With regard to the Union contract, explain why Dawn was selected as the primary receipt point and Parkway was selected as the delivery point. With regard to the TransCanada contract, please explain why the receipt point of gas is Parkway and the delivery point is Waddington, New York. Provide analysis of the two contracts as they relate to the flow of gas to Bay State's Citygate

RESPONSE: Dawn was chosen as a primary receipt point as it is a liquid hub with all the attributes associated with a hub, i.e. liquidity, price transparency, multiple buyers and sellers, storage, etc. See also the response to DTE 2-8.

The Union Gas pipeline system extends from Dawn, Ontario to Parkway, Ontario. TransCanada Pipelines has no pipeline facilities connecting these two points. The reason for this is that Union has a franchise territory that starts at Dawn and ends at Parkway.

The TransCanada system intersects with the Union system at Parkway and Parkway is a recognized receipt point on the TransCanada system. In order for TransCanada to receive delivery of gas at Dawn, it or a potential shipper must contract for capacity on the Union system. See also the response DTE 2-1.

The delivery point of Waddington was chosen as that is location of the interconnection of the TransCanada system with the Iroquois system. Bay State has existing capacity on the Iroquois system that will be used to transport the Dawn sourced gas to its citygates.

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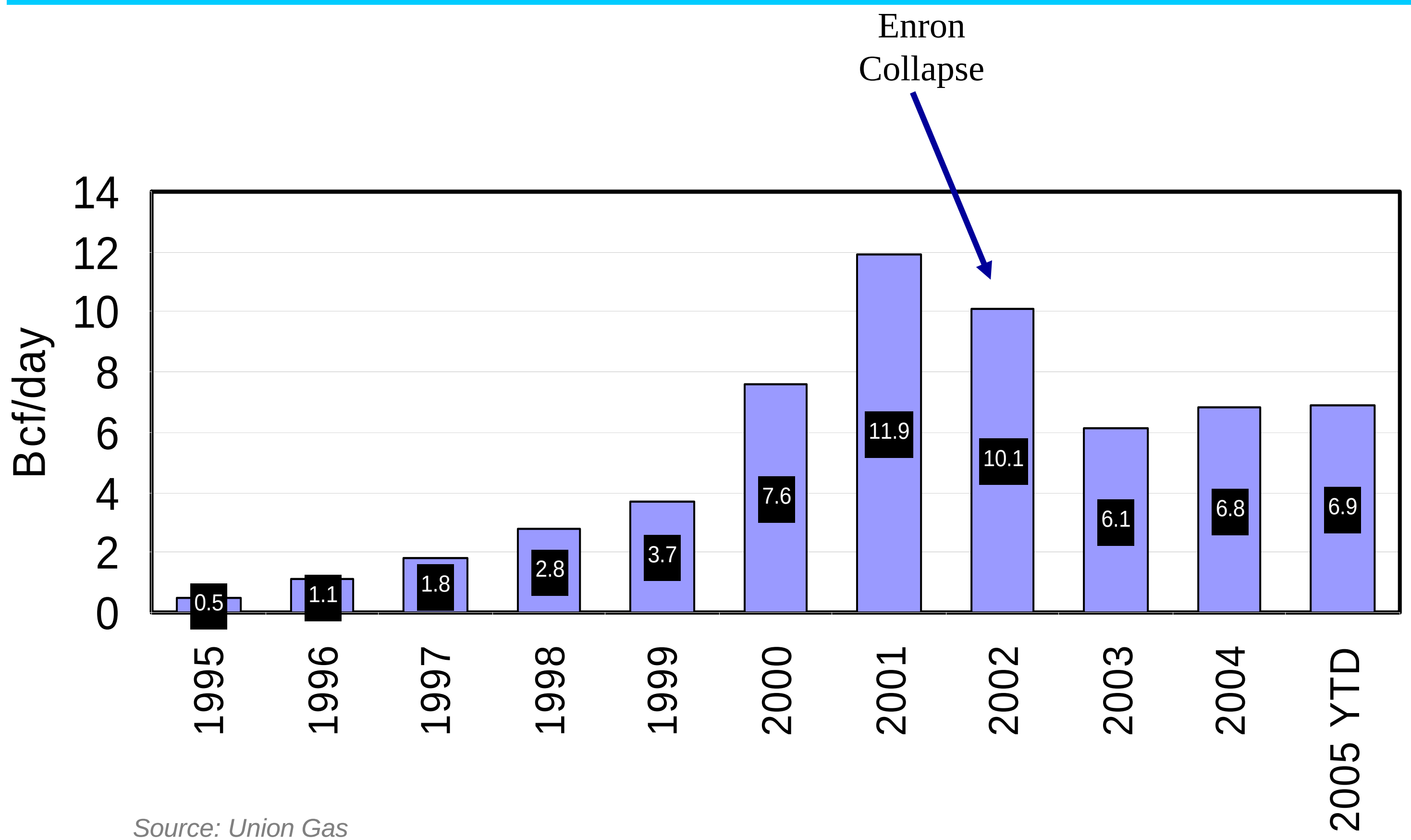
DTE 2-8: Please refer to Mr. DaFonte's testimony at 7. Explain with supporting detail, data, and assumptions the basis for the statement that the Renewal Group selected Dawn as a purchase point for gas due to "liquidity at Dawn, the stable basis between Dawn and Henry Hub, the six different pipeline feeds from multiple supply basins, the access to storage in Ontario and Michigan and lower demand charges relative to TransCanada's long-haul".

RESPONSE: Please refer to Attachment DTE 2-8. This Attachment is a series of slides prepared for the ANE Renewal Group Customers in connection with their evaluation of the Dawn purchase point.

Why Purchase at Dawn?

- Competitively Priced Gas Supply Point - Favorable RFP point for gas commodity procurement;
- Liquid Purchasing Point – many buyers and sellers and high volume of transactions; Waddington not a option
- Stable Basis - between Dawn and Henry Hub – less price volatility than Waddington and points east;
- Supply Diversity - Dawn fed by six different pipelines, receiving gas from several basins - means ANE II can access gas from multiple basins;
- Access To Storage - in Ontario and in Michigan (850 Bcf);
- Reduce Pipeline Demand Charge Exposure ($0.25/Dth vs $1.10/Dth)

Average Title Transfer Volume at Union Hub (Bcf/d)

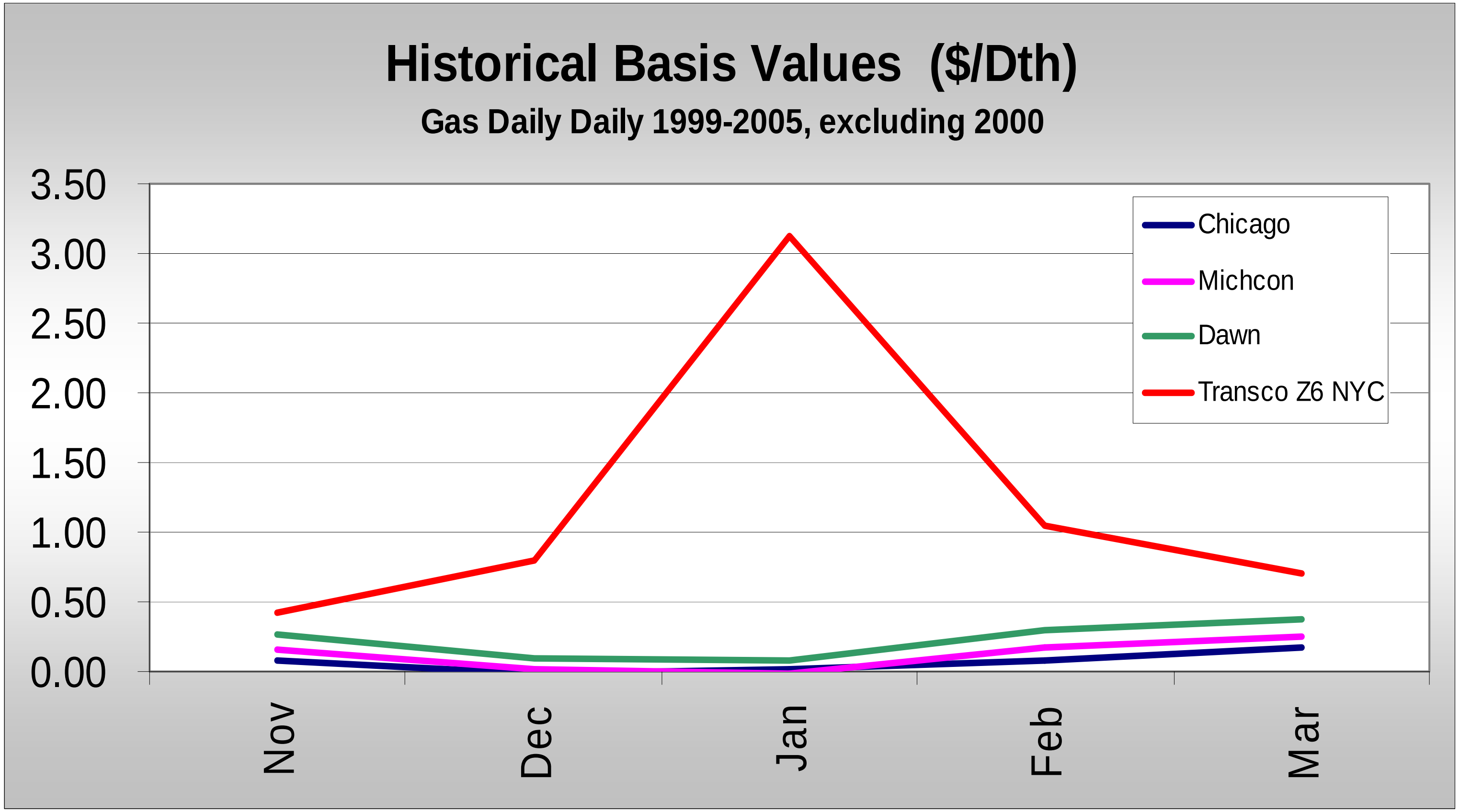


Source: Union Gas

** Dawn has over 6.9 Bcf/d of trading activity by over 100 parties for half the year and very much on the upswing*

Alberta Northeast Gas Limited

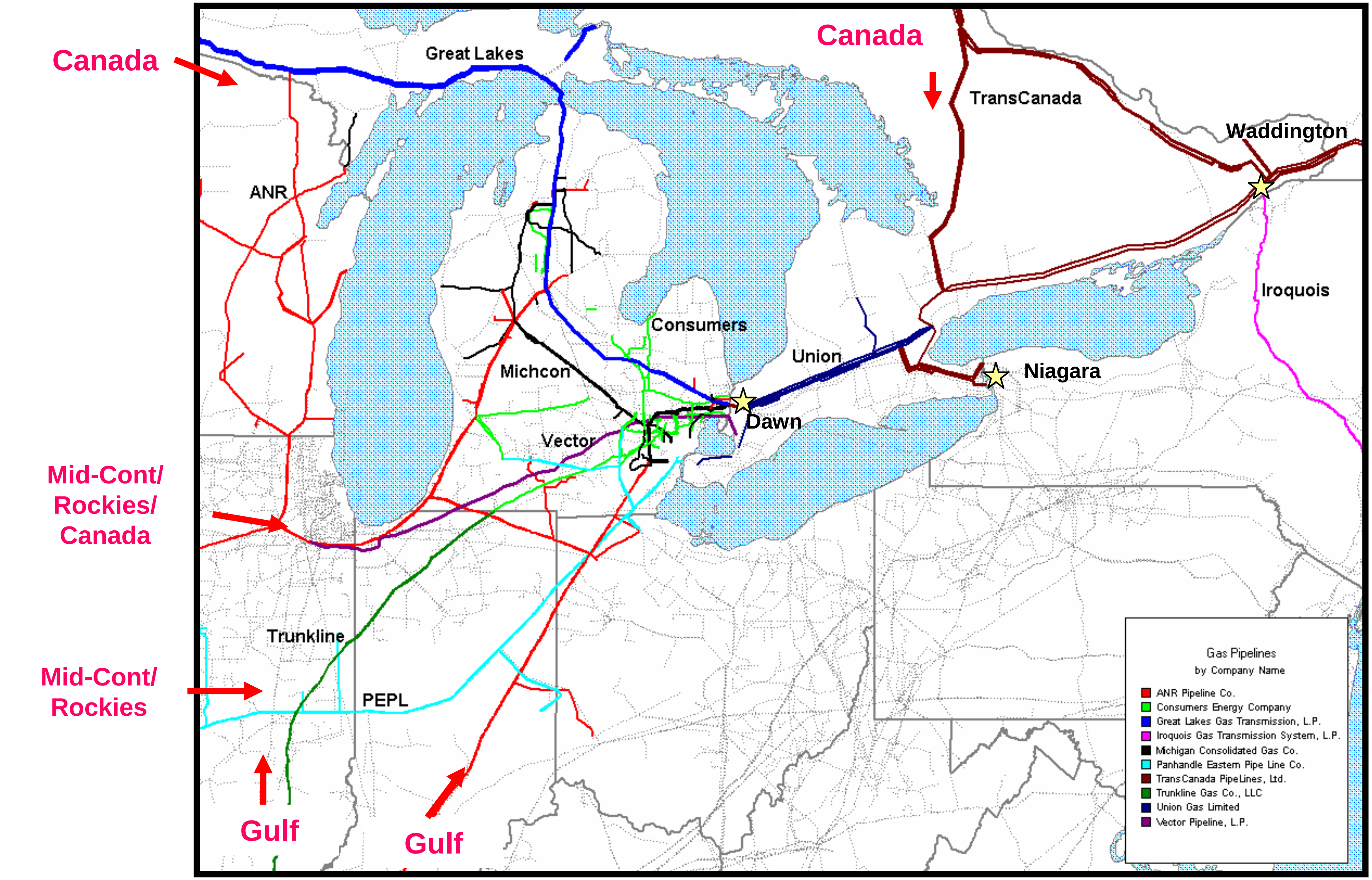
Stability of the Dawn Basis



Source: Gas Daily

Alberta
Northeast
Gas Limited

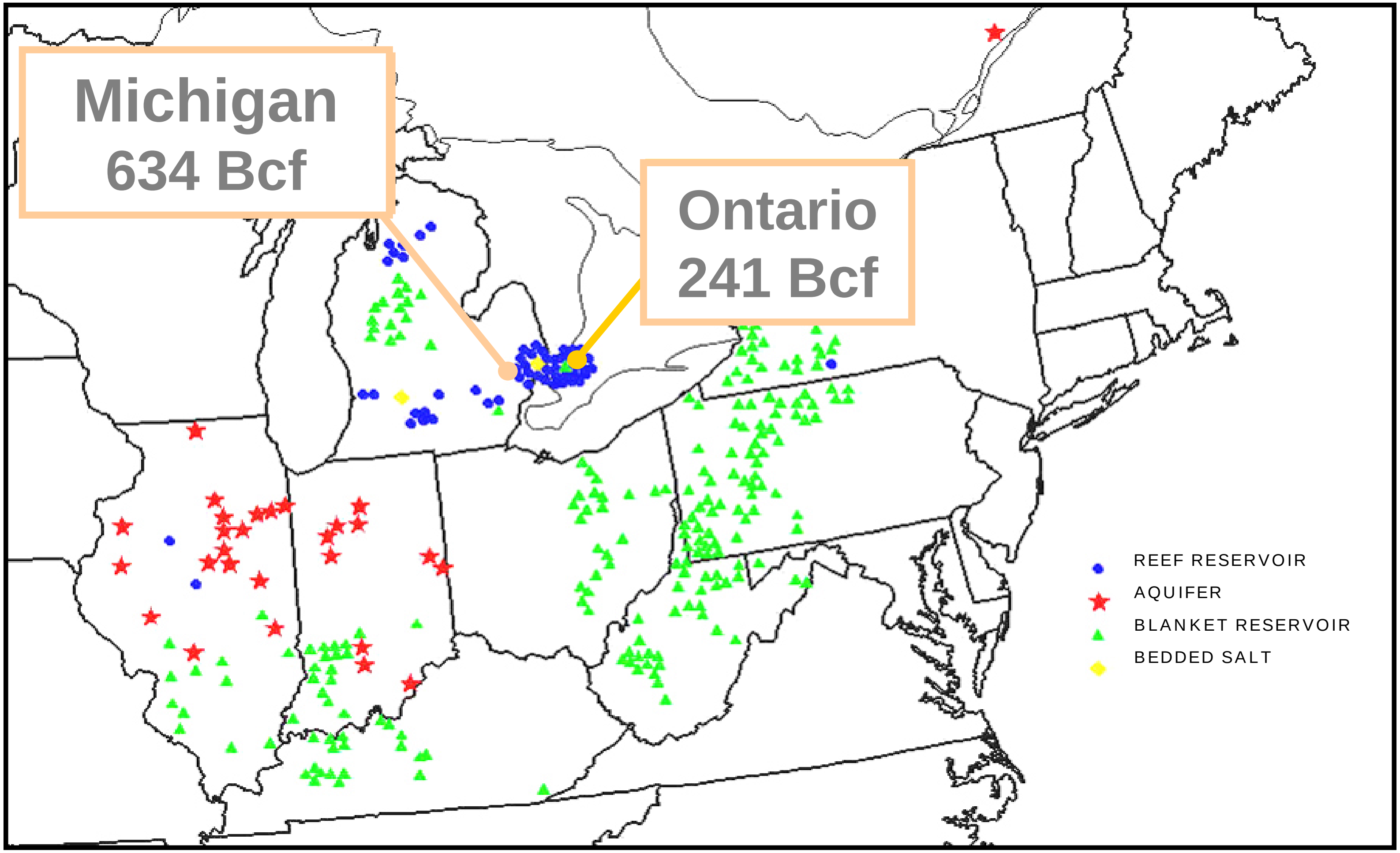
Gas Sources Feeding Dawn



Alberta Northeast Gas Limited

Source: DTE

Storage in Ontario and Michigan



Source: DTE

Alberta Northeast Gas Limited

TCPL Toll Comparison of AECO vs Dawn Sourcing

Receipt Point	Delivery Point	TCPL Demand Charge	TCPL Fuel Req	TCPL Fuel Charge*
AECO	Iroquois	$Cdn 1.12/GJ	7.1%	$0.75/GJ
Dawn	Iroquois	$Cdn 0.252/GJ	1.8%	$0.226/GJ
Difference		***$Cdn 0.868/GJ***	***5.3%***	***$0.524/GJ***

Source: TCPL

* The Dawn calculation assumes using a combination of TCPL and Union (i.e., using TCPL's TBO capacity). As of Aug 31, 2005 with AECO fuel = $Cdn 10.42/GJ and Dawn fuel = $Cdn 12.56/GJ

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DTE 2-9: Please refer to the Financial Assurances Agreements at Exhibit FCD-6. State the amount of financial exposure to Bay State under its contract with TransCanada.

RESPONSE: The TransCanada liability is $8,912,304 and is set forth in Exhibit FCD-4, at 14, item15a and at 15, item16. Please see also the response to DTE 1-7.